



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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September 26, 1997

Mr. Allan R. Cerny, Secretary
Western States Minerals Corporation
4975 Van Gordon Street
Wheat Ridge, Colorado 80033

Mr. E. B. King
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730

Re: Notification of Conversion From Informal Hearing to Formal Hearing,
Drum Mine, M/027/007, Millard and Juab County, Utah

Dear Messrs. Cerny and King:

On September 12, 1997, the Division of Oil, Gas and Mining ("Division") filed a NOTICE OF AGENCY ACTION TO ENFORCE VIOLATED MINERAL RULES, Drum Mine, M/027/007, Millard and Juab County, Utah. In compliance with R647-5-101, the hearing was designated as an informal proceeding. On September 19, 1997 Western States Minerals Corporation ("Western States") faxed an objection to the Notice of Agency Action. Similarly, on September 20, 1997, JMC objected to the Notice of Agency Action. Based on these objections, the Division acting pursuant to Utah Admin. Rule R647-5-105 converts the above-captioned proceeding from an informal hearing to a formal proceeding. R647-5-105 states:

Any time before a final order is issued in any adjudicative proceeding before the Division, the Division Director may convert an informal adjudicative proceeding to a formal adjudicative proceeding if:

1.11. Conversion of the proceeding is in the public interest; and

1.12 . Conversion of the proceeding does not unfairly prejudice the rights of any party.

Pursuant to Utah Rule R647-5-105.1, the Division Director determines that conversion of the proceeding is in the public interest; and that conversion of the proceeding does not unfairly prejudice the rights of any party. Conversion of the above-captioned adjudication is clearly in the public interest and will not prejudice the rights of any party.

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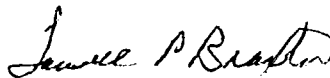
Messrs. Cerny and King
September 26, 1997

Continuing with informal proceedings will waste public resources since the positions of all the parties have been established by the Notice of Agency Action and the responses by Jumbo Mining Company ("JMC") and Western States Minerals Corporation ("Western States"). Both JMC and Western States raise issues in their respective appeals that cannot be resolved at the Division level. It is in the public interest to convert these proceedings from informal to formal.

Neither party will be prejudiced by the conversion of the hearing because both parties will have the opportunity to present their cases in a forum capable of addressing their respective objections. Western States has specifically requested that the informal hearing on the adequacy of bond surety be consolidated with the formal hearing on the order to reclaim the Drum Mine site. Based on the responses by JMC and Western States, the Division supports Western States position that consolidation of the enforcement actions is necessary to avoid a "duplicative and unnecessary" hearing. This can only occur if the informal hearing is first converted to a formal hearing. JMC has responded to the Notice of Agency Action by raising constitutional objections to the enforcement action. Issues of such magnitude are best addressed at a formal hearing.

Conversion of these proceedings from informal to formal will not prejudice the parties, but will, instead, permit judicious resolution of the matter. It will allow objections to the Notice of Agency Action to be addressed in the proper forum and permit consolidation of the related Drum Mine enforcement actions.

Sincerely,



Lowell P. Braxton
Acting Director

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